

Message Text

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73

ACTION EUR-25

INFO OCT-01 EA-11 ADP-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-09 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 SAL-01 OMB-01 NSC-10 SS-14

STR-08 CEA-02 TAR-02 PA-03 PRS-01 USIA-12 L-03 RSR-01

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R 091951 Z MAR 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 9578

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

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DEPARTMENT PASS TREASURY, COMMERCE, FRB.

E. O. 11652: N/ A

TAGS: ECON, UK

SUBJECT: ECONOMIC DEVELOPMENTS - WEEK ENDING MARCH 9

BEGIN SUMMARY: A " NEUTRAL " BUDGET WAS PRESENTED TO
PARLIAMENT BY CHANCELLOR BARBER ON TUESDAY, MARCH 6.
VARIOUS SECTORS OF THE ECONOMY HAVE BEEN AFFECTED BY
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STRIKES PROTESTING PHASE TWO OF THE GOVERNMENT' S ANTI-INFLATION PROGRAM. BRITISH RESERVES ROSE BY \$260 MILLION DURING FEBRUARY TO STAND AT \$5,918 MILLION. BALANCE OF PAYMENTS STATISTICS FOR 1972 SHOW A CURRENT ACCOUNT SURPLUS OF 18 MILLION POUNDS. IN 1972, INVESTMENT IN MANUFACTURING WAS ABOUT 10 PER CENT LESS THAN IN 1971 BUT THE LATEST FINANCIAL TIMES MONTHLY SURVEY OF BUSINESS OPINION SHOWS A HIGH LEVEL OF CONFIDENCE AMONG BUSINESSMEN OVER THE NEXT 12 MONTHS. THERE ARE NOW SIGNS THAT INVENTORIES BEGAN TO INCREASE IN THE FOURTH QUARTER 1972, THE FIRST TIME SINCE THE FIRST QUARTER OF 1971. RETAIL SALES DROPPED BACK SLIGHTLY FROM DECEMBER' S HIGH BUT INCREASED 7.8 PER CENT OVER JANUARY LAST YEAR. FINANCE HOUSES AND RETAILERS ADVANCED 262 MILLION POUNDS OF NEW INSTALLMENT CREDIT IN JANUARY, THE LARGEST MONTHLY TOTAL EVER. STERLING DROPPED SHARPLY ON MONDAY, MARCH 5, TO \$2.4550 FROM LAST THURSDAY AND FRIDAY' S HIGH OF \$2.50. IT THEN MOVED UP DURING THE WEEK TO CLOSE AT \$2.4747-1/2 ON THURSDAY. ALTHOUGH FOREIGN EXCHANGE MARKETS ARE OFFICIALLY CLOSED, ACTIVE TRADING HAS CONTINUED. GOLD CLOSED ON THURSDAY AT \$83.75, DOWN FROM LAST FRIDAY' S HIGH OF \$86.50. THE MINIMUM LENDING RATE REMAINED AT 8-3/4 PER CENT. END SUMMARY

1. THE BUDGET FOR FINANCIAL YEAR 1973/74 WAS PRESENTED IN PARLIAMENT ON MARCH 6. THE BUDGET CALLS FOR EXPENDITURES OF 32,140 MILLION POUNDS, WITH A GOVERNMENT BORROWING REQUIREMENT OF 4,423 MILLION POUNDS. FOR DETAILS, SEE LONDON 2666, 2667, 2791 AND 2801.

2. VARIOUS TYPES OF INDUSTRIAL ACTION CONTINUE THROUGHOUT THE ECONOMY. THE GAS WORKERS CONTINUE THEIR SELECTIVE STRIKES AND SLOWDOWNS, THURSDAY SAW A ONE- DAY RAILROAD STRIKE, AND ANCILLIARY HOSPITAL WORKERS HAVE CLOSED DOWN A LARGE NUMBER OF HOSPITALS THROUGHOUT THE COUNTRY. FOR DETAILS ON THE SPECIAL TUC CONGRESS HELD MARCH 5 TO CONSIDER WAYS OF OPPOSING THE GOVERNMENT' S ANTI- INFLATIONARY POLICIES, SEE LONDON 2641.

3. U. K. OFFICIAL RESERVES ROSE BY \$260 MILLION DURING UNCLASSIFIED

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FEBRUARY TO STAND AT \$5,918 MILLION AT THE END OF THE

MONTH. OF THE INCREASE, \$207 MILLION REPRESENTS THE INCREASED VALUE IN U. S. DOLLAR TERMS OF GOLD, SDR, RESERVE POSITION IN THE IMF AND FOREIGN CURRENCY ELEMENTS IN THE RESERVES, FOLLOWING THE 10 PER CENT DOLLAR DEVALUATION ANNOUNCED ON FEBRUARY 12. THE FORMAL PARITY OF STERLING IS UNCHANGED AT 1 POUND \$2.13281 GRAMS OF GOLD. THE STERLING/ DOLLAR EQUIVALENT OF THIS FORMAL PARITY IS NOW 1 POUND \$2.89524, REFLECTING THE NEW U. S. DOLLAR PARITY EXPRESSED IN TERMS OF GOLD AT \$42.2222 PER FINE OUNCE.

4. BALANCE OF PAYMENTS STATISTICS FOR THE 4 TH QUARTER AND YEAR 1972 WERE PUBLISHED THIS WEEK. FOR 1972, THEY INDICATE A DEFICIT OF 692 MILLION POUNDS ON THE VISIBLE TRADE ACCOUNT AND A SURPLUS OF 710 MILLION POUNDS ON THE INVISIBLES ACCOUNT, GIVING A SURPLUS OF 18 MILLION POUNDS FOR THE CURRENT ACCOUNT. FOR

ANNENBERG

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C O R R E C T E D C O P Y (TO TEXT NBRD PARA 12)

DETAILS, SEE LONDON 2732.

5. INVESTMENT IN MANUFACTURING IS ESTIMATED AT 326 MILLION POUNDS IN THE FOURTH QUARTER 1972 (S. A., 1963 PRICES), ABOUT 1 PER CENT LESS THAN IN THE THIRD QUARTER. INVESTMENT IN 1972 (1,359 MILLION POUNDS), AS A WHOLE, WAS ABOUT 10 PER CENT LESS THAN IN 1971. EXPENDITURE ON PLANT AND MACHINERY IN 1972 WAS ABOUT UNCLASSIFIED

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12 PER CENT LESS THAN IN 1971.

6. THE LATEST FINANCIAL TIMES MONTHLY SURVEY OF BUSINESS OPINION PAINTS A VERY BUOYANT PICTURE OF U. K. INDUSTRIAL ACTIVITY. THE SURVEY SHOWS A HIGH LEVEL OF CONFIDENCE AMONG BUSINESSMEN, AND INDICATES THAT THE TREND OF OUTPUT AND ORDERS HAS BEEN SHARPLY UPWARDS IN RECENT MONTHS AND WILL CONTINUE OVER THE NEXT 12 MONTHS. EXPORT PROSPECTS ALSO CONTINUE TO BE ENCOURAGING.

7. MANUFACTURERS' INVENTORIES ARE ESTIMATED TO HAVE RISEN BY 1 MILLION POUNDS (S. A., 1963 PRICES) DURING THE FOURTH QUARTER OF 1972. ALTHOUGH THIS IS ONLY A MARGINAL RISE, IT IS THE FIRST SIGN OF INVENTORY-BUILDING SINCE THE FIRST QUARTER OF 1971 AND REPRESENTS A CONSIDERABLE CHANGE FROM THE LARGE FALL IN INVENTORIES DURING THE PRECEDING QUARTERS OF 1972.

8. THE INDEX OF THE VOLUME OF RETAIL SALES IN JANUARY IS 114.2 (S. A., 1966100). THIS COMPARES WITH 115.2 IN DECEMBER. THIS IS AN INCREASE OF 7.8 PER CENT OVER JANUARY 1972. SALES BY FOOD STORES FELL BACK SHARPLY FROM THEIR DECEMBER LEVEL, BUT SALES BY CLOTHING AND SHOE STORES WAS MARKEDLY HIGHER. TRADE IN DECEMBER AND JANUARY IS LIKELY TO HAVE BEEN INFLUENCED BY THE SPECIAL 10 POUND PAYMENT TO

PENSIONERS AT CHRISTMAS.

9. FINANCE HOUSES AND RETAILERS ADVANCED 262 MILLION POUNDS (S. A.) IN NEW CREDIT IN JANUARY. IN THE THREE MONTHS, NOVEMBER- JANUARY, TOTAL LENDING WAS 9 PER CENT MORE THAN IN THE PREVIOUS THREE MONTHS. ADVANCES BY FINANCE HOUSES INCREASED BY 15 PER CENT BETWEEN THE TWO PERIODS, AND ADVANCES BY RETAILERS INCREASED BY 3 PER CENT.

10. THE DISCOUNT ON STERLING WIDENED STEADILY ALL WEEK.

	3/1	3/8	CHANGE
1 MONTH	0.45	0.80	UP 0.35
3 MONTHS	1.78	2.30	UP 0.52
6 MONTHS	3.65	4.35	UP 0.70

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(ALL FIGURES IN CENTS)

11. LOCAL AUTHORITY DEPOSIT RATES WERE ALSO UP MARKEDLY.

	3/1	3/8	CHANGE
1 MONTH	10-7/8	11-7/8	UP 1
3 MONTHS	10-11/16	11-3/8	UP 11/16
6 MONTHS	10-3/8	11-3/16	UP 13/16

12. EURO- DOLLAR RATES FELL AT ALL MATURITIES.

	3/1	3/8	CHANGE
1 MONTH	10-1/4	9-5/8	DOWN 5/8
3 MONTHS	9-1/2	8-3/4	DOWN 3/4
6 MONTHS	8-7/8	8-3/8	DOWN 1/2

13. GOLD CLOSED AT \$83.75 ON THURSDAY, DOWN \$2.75 FROM LAST THURSDAY' S CLOSE.

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*** Current Classification *** UNCLASSIFIED

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Decaption Note:
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Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
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TAGS: ECON, UK
To: BERN
BONN
BRUSSELS
COPENHAGEN
DUBLIN
EC BRUSSELS
EUR

LUXEMBOURG
SECSTATE WASHDC

Type: TE

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